


BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2000-588-W - ORDER NO. 2001-761

AUGUST 20, 2001

IN RE: Application of Piedmont Water Co., Inc. for)	ORDER APPROVING
Approval to Consolidate Eagle Point Water)	CONSOLIDATION
Co., Inc. and Piney Grove Utilities, Inc.)	



This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of Piedmont Water Company, Inc. (Piedmont or the Company) requesting approval to consolidate the stock of Eagle Point Water Co., Inc. (Eagle Point) in Clarendon County, Piney Grove Utilities, Inc. (Piney Grove) (known as C.W. Haynes Co., Inc.) in Richland and Lexington Counties, and Tickton Hall Water Co. (Tickton Hall) in Jasper County into Piedmont.

The Commission's Executive Director directed the Company to publish a Notice of Filing one time in newspapers of general circulation in the areas affected by the Application. Further, the Company was directed to notify each affected customer in writing. The Company furnished affidavits to show compliance with the instructions of the Executive Director. No Protests were filed. Petitions to Intervene were received from the South Carolina Department of Health and Environmental Control (DHEC) and the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

Accordingly, a hearing was held on June 28, 2001 at 10:30 AM in the offices of the Commission, with the Honorable William Saunders, Chairman, presiding. The

Company was represented by Louis Lang, Esquire. DHEC was represented by Mason Summers, Esquire. The Consumer Advocate was represented by Charles Knight, Esquire. The Commission Staff (the Staff) was represented by F. David Butler, General Counsel. The Company presented the direct and rebuttal testimony of D. Reece Williams, IV. DHEC presented the testimony of Lewis Nelson Roberts, Jr. (Although DHEC prefiled the testimony of Anastasia Hunter Shaw, it did not present her testimony during the hearing.) The Consumer Advocate presented no witnesses. The Staff presented the testimony of William O. Richardson.

D. Reece Williams, IV, President of Piedmont Water Company, Inc. testified. Williams stated that he is either the sole shareholder or the sole shareholder of a corporation which owns the stock in Eagle Point, Piney Grove, and Tickton Hall, and that he wishes to merge all of the stock of these companies into Piedmont. Williams stated that such a merger will allow him to simplify the corporate record keeping and reporting required of these corporations by various regulatory and supervisory agencies. In addition, in his view, the consolidation would make more efficient the day to day administrative operation of these corporations, and would allow for a more accurate and efficient accounting of the various income and expenses of these entities. In addition, Williams noted that the consolidation would also allow a facilitated review of any rate applications involving these companies, and would provide increased access to credit facilities to allow them to upgrade their facilities as necessary.

Williams noted that the consolidation would be “seamless” to the customers of the various entities, and that they would continue to deal with the same people that they have

always dealt with before in regard to the provision of water and sewer service. Williams further stated that upkeep and management of the various facilities would be enhanced by the merger.

Lewis Nelson Roberts, Jr., manager of the Drinking Water Enforcement Section of the Water Enforcement Division of DHEC testified. Roberts expressed DHEC's concerns about the proposed merger of the corporations because of some compliance problems that the Department has experienced with Mr. Williams. Various enforcement actions have been taken against some of the systems owned by Williams, for which Mr. Williams is responsible, according to Roberts, even though some of the actions were taken prior to Williams's ownership. Roberts expressed DHEC's opinion that merger of the various companies should not be allowed until Piedmont demonstrates that it possesses adequate capital and the managerial commitment to maintain and operate both the existing systems and those of the other corporations.

According to Roberts, DHEC believes that inadequate capital and lack of managerial commitment may be to blame for some of the problems at the facilities of the companies. Some of the problems include, but are not limited to a leaning water tank, occasional low water pressure, improperly stored chemicals, valve maintenance, lack of a flushing plan, inadequate record keeping, and lack of security. These systems receive "unsatisfactory" or "needs improvement" ratings as a result of sanitary surveys conducted by DHEC Staff. Roberts also noted that there was an outstanding \$20,000 fine due and payable to DHEC as the result of an enforcement action against Piney Grove Utilities,

Inc. In addition, Roberts notes an unresolved enforcement action against the Eagle Point water system.

William O. Richardson testified for the Commission Staff, and indicated that there was no evidence to indicate that there would be a negative impact to any customers resulting from the proposal before the Commission.

Williams presented rebuttal testimony to the DHEC testimony. Williams stated a belief that quality of service and the ability of the companies to comply with the regulations of both the Commission and DHEC would be enhanced by the proposed consolidation, as well as the operation of the companies.

We have examined the entire record of this case, including the testimony and exhibits, and have concluded that the Application to consolidate the stock of Eagle Point and Piney Grove with Piedmont should be approved, under certain conditions to be named *infra*. We believe that the consolidation should enhance quality of service, operation, and regulatory compliance. We do have some concerns about the fact that we are missing annual reports from some of the companies, and that there has never been an establishment case for the Tickton Hall water system. We are also concerned about the apparent non-compliance of certain of the systems with DHEC regulations. We will address these concerns hereinafter, and establish certain conditions that must be met by Piedmont in consideration of our approval of the consolidation.

First, within fifteen (15) days after receipt of this Order, Piedmont shall file with this Commission annual reports for Eagle Point and Piney Grove. Second, within thirty

(30) days after receipt of this Order, Piedmont shall file an establishment case for establishment of rates and charges for the Tickton Hall water system.

Third, the sewer bond currently on file with the Commission for Piedmont shall be increased to \$125,000 to reflect the additional annual expense associated with the sewer utilities under Piedmont, as shown by the evidence in the case. This new bond shall be filed as soon as possible after receipt of the Order by the Company. The water bond currently on file for \$100,000 shall remain unchanged.

Fourth, all water and sewer systems under Piedmont must become compliant with all applicable and pertinent DHEC regulations. This Commission hereby adopts the current schedule of compliance set forth by DHEC as fully as if repeated herein verbatim, with the exception of the repayment of any current past due fines owed to DHEC by the consolidated Piedmont Water Company, which we do not herein address.

Fifth, excluding the currently pending cases involving River Pines and Tickton Hall, Piedmont shall not be allowed to either acquire or operate any additional water or sewer utilities without first obtaining and maintaining compliance with DHEC rules for the utilities associated with the newly approved, consolidated Piedmont Water Company, again, with the exception of any current past due fines owed to DHEC.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)